The Method Behind Producer Support Calculations

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Outline

- **Why measure support?**

- **Key concepts**

- **OECD support indicators as a system**

- **Classification of producer support**

Support indicators were developed to:

- monitor and evaluate developments in agricultural policies

- have a common base for policy dialogue, domestically and internationally

- provide input into policy impact analysis

- **What policies are considered in the calculations? – several conventions:**

  - **that generate transfers to agricultural producers**

  - **objectives or economic impacts of policies are not considered**

  - **general policies not considered, even if they generate transfers to agricultural producers**

- **Policy transfers – building blocks of indicators**

- **Concept of transfer: source and recipient:**

  - **Agricultural producers**

  - **Consumers (first-stage buyers)**

  - **Taxpayers**

Recipients

as individuals

collectively

Source

Source

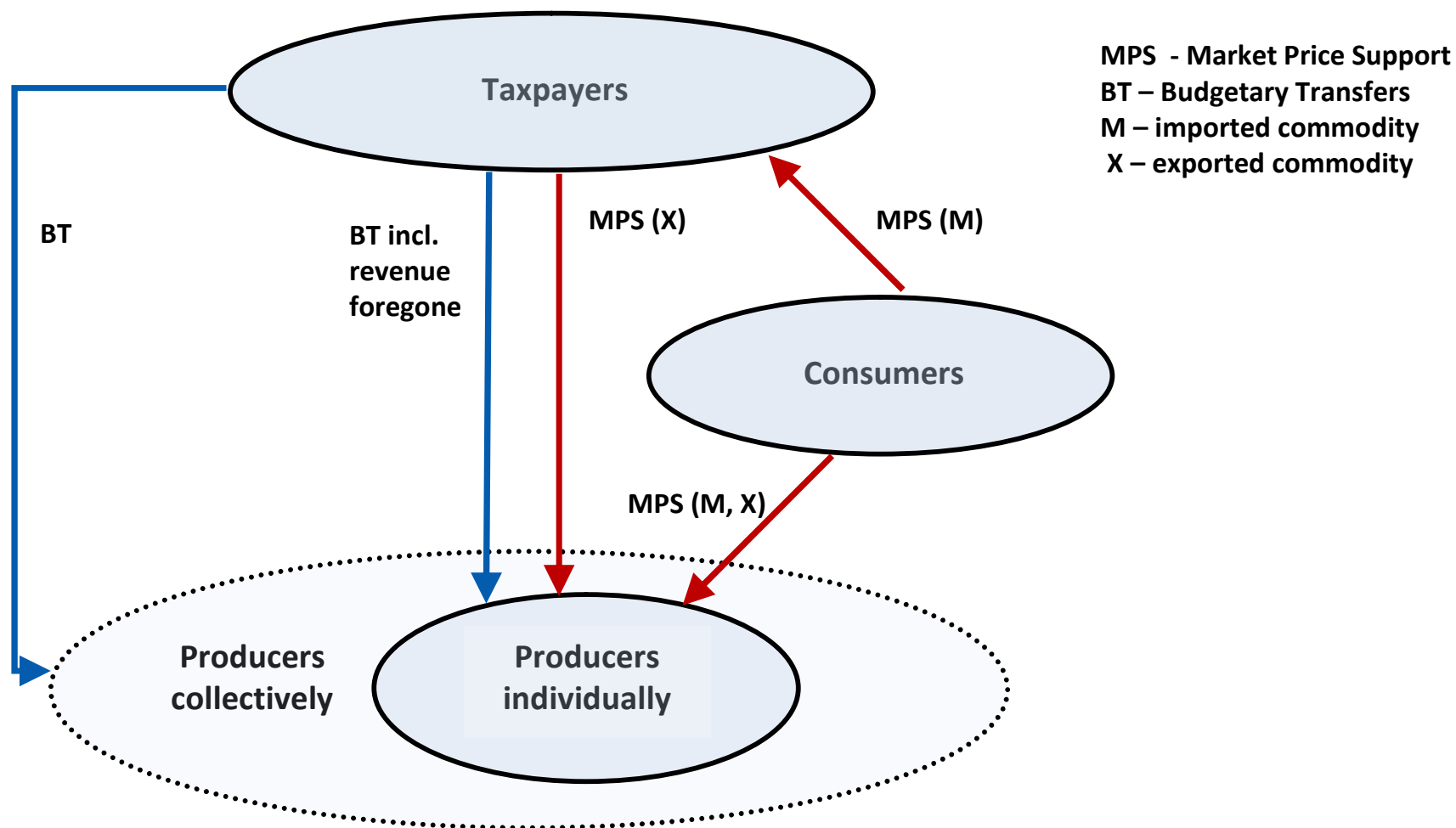- **Support indicators – different ways to look at policy transfers and to express their relative levels**

Key concepts: Flows of policy transfers
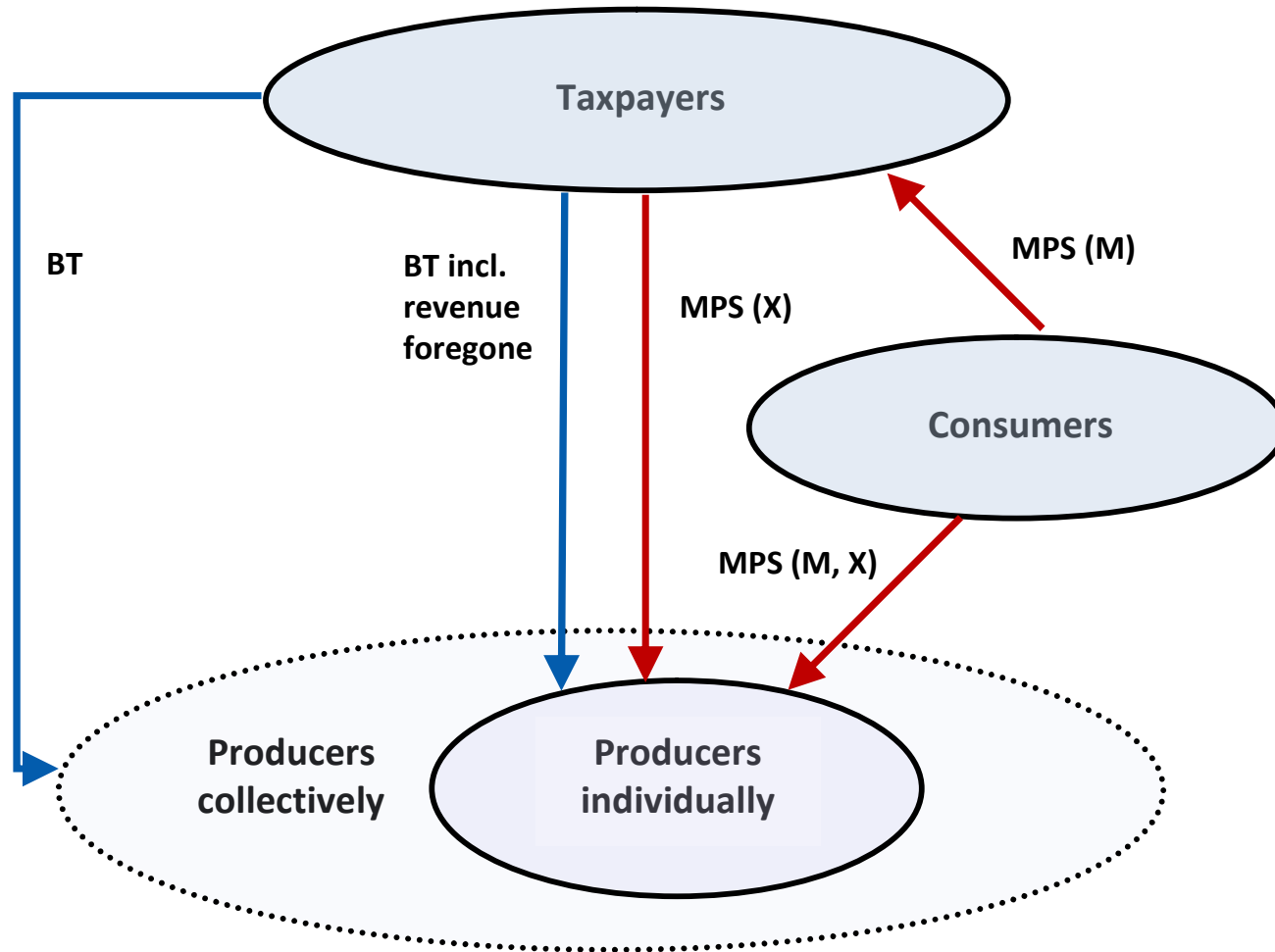
MPS - Market Price Support
BT – Budgetary Transfers
M – imported commodity
 X – exported commodity

Producer Support Estimate (PSE): the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income.

MPS - Market Price Support
BT – Budgetary Transfers
M – imported commodity
X – exported commodity

Taxpayers

MPS (M)

BT incl. revenue foregone

MPS (X)

BT to support:

R&D
Training
Inspections
Infrastructure
Marketing and promotion
Public stockholding

Consumers
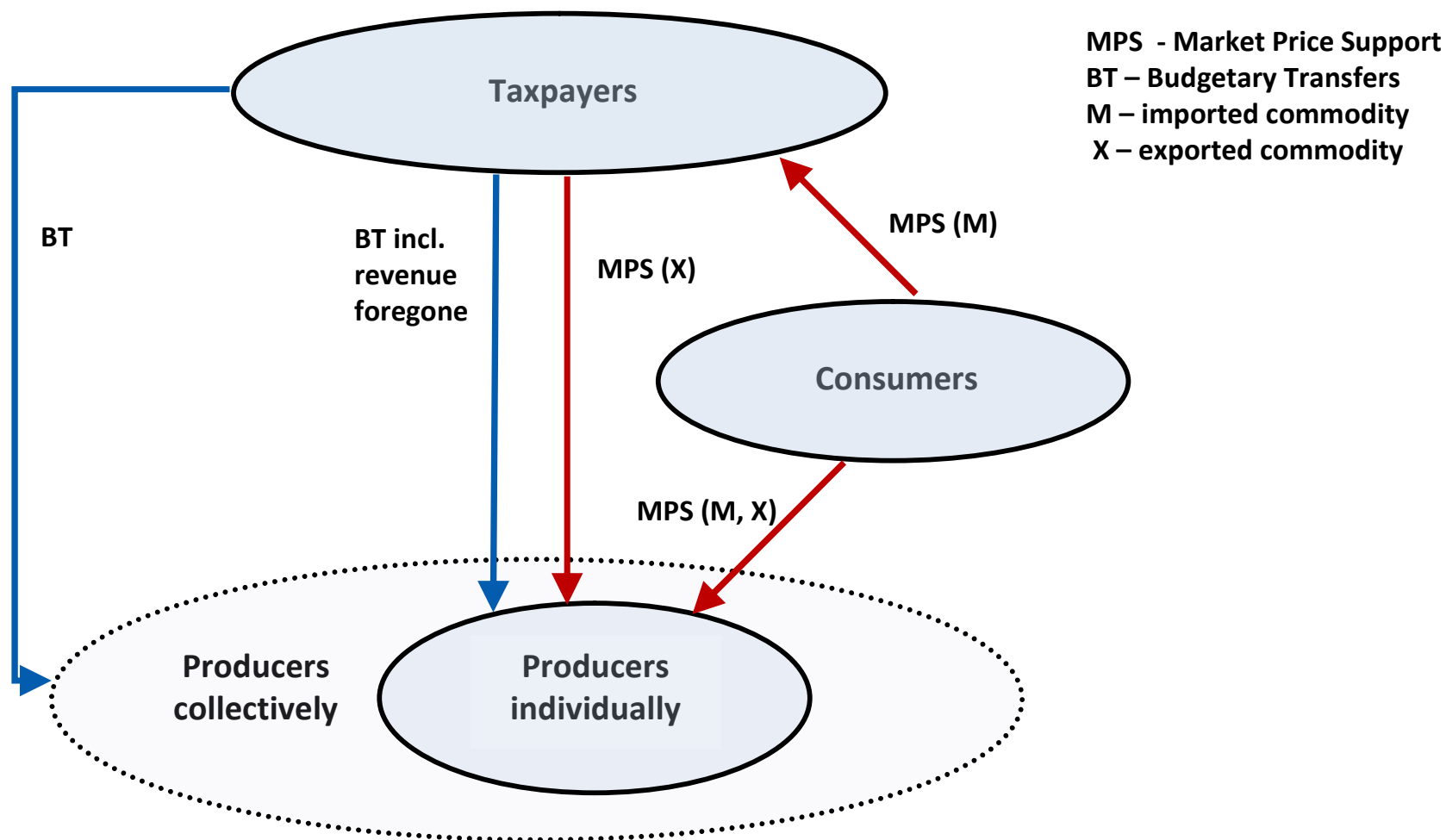
MPS (M, X)

Producers collectively

Producers individually

General Services Support Estimate (GSSE): the annual monetary value of gross transfers to general services provided to agricultural producers collectively (such as research, development, training, inspection, marketing and promotion), arising from policies that support agriculture regardless of their nature, objectives and impacts on farm production, income, or consumption. The GSSE does not include any transfers to individual producers.
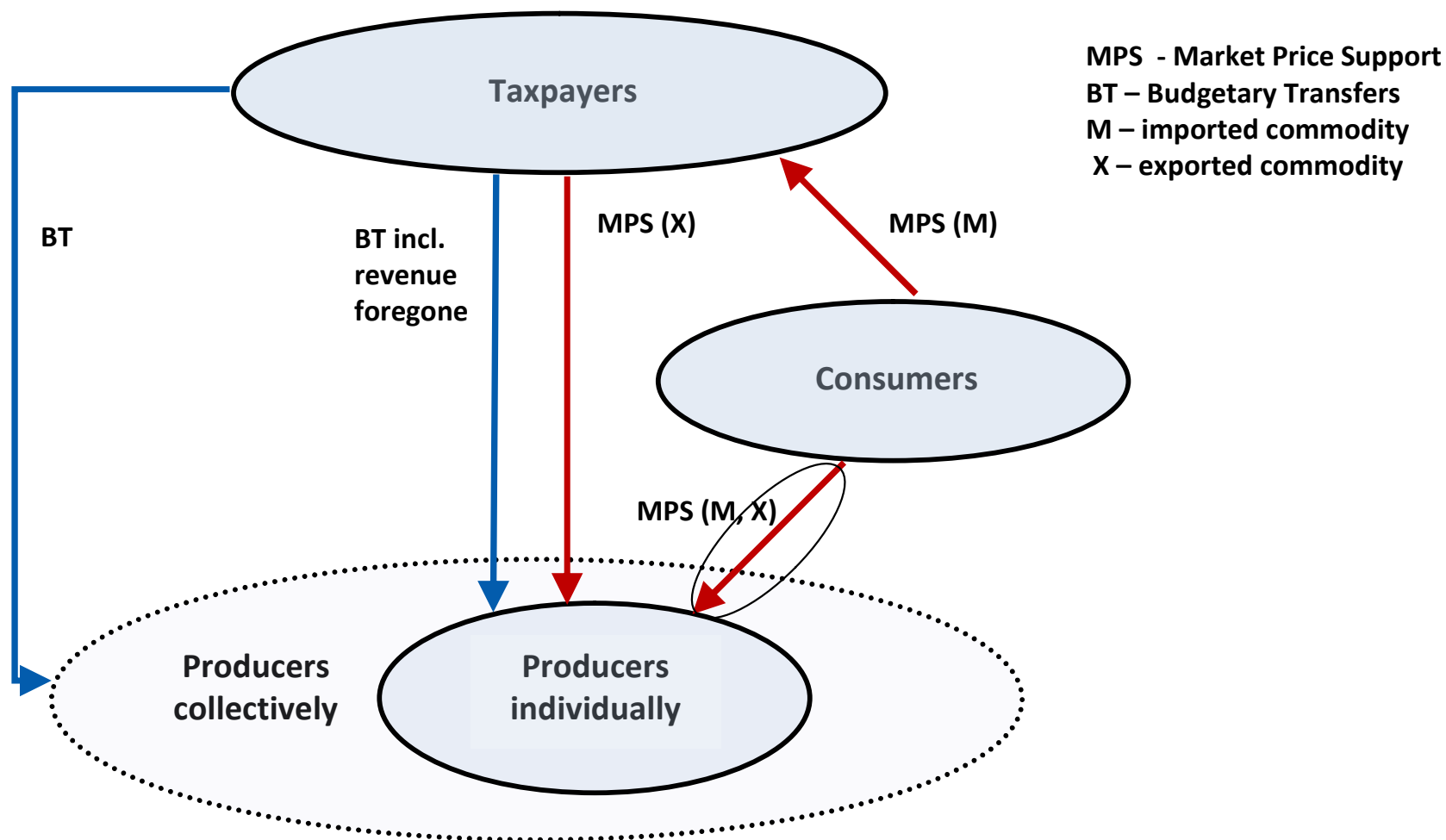
MPS - Market Price Support
BT – Budgetary Transfers
M – imported commodity
 X – exported commodity

Consumer Support Estimate (CSE): the annual monetary value of gross transfers from (to) consumers of agricultural commodities, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on consumption of farm products.

MPS - Market Price Support
BT – Budgetary Transfers
M – imported commodity
 X – exported commodity

Taxpayers

BT

BT incl. revenue foregone

MPS (X)

MPS (M)

Consumers

MPS (M, X)

Producers collectively

Producers individually

Total Support Estimate (TSE): the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of the associated budgetary receipts, regardless of their objectives and impacts on farm production and income, or consumption of farm products.
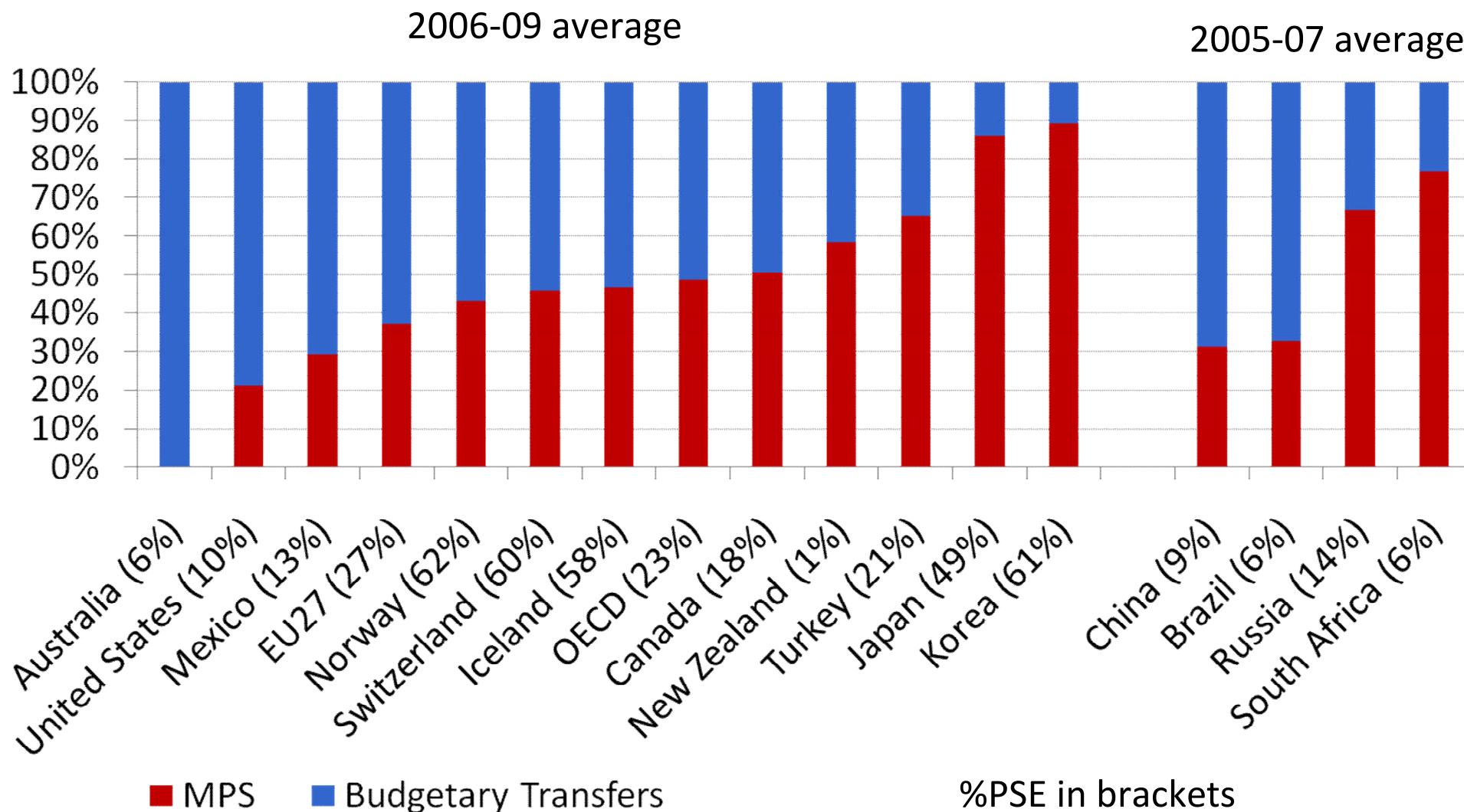
- **%PSE: PSE as a share of Gross Farm Receipts**

- **%GSSE: as a share of Total Support Estimate**

- **%CSE: as a share of consumption expenditure**

- **% TSE: as a share of GDP**

- **NPC: gap between domestic and border price as a ratio of the border price**

PSE composition:
Market Price Support and Budgetary Transfers

2006-09 average

2005-07 average

Australia (6%), United States (10%), Mexico (13%), EU27 (27%), Norway (62%), Switzerland (60%), Iceland (58%), OECD (23%), Canada (18%), New Zealand (1%), Turkey (21%), Japan (49%), Korea (61%), China (9%), Brazil (6%), Russia (14%), South Africa (6%)

■ MPS ■ Budgetary Transfers

%PSE in brackets

OECD, PSE/CSE database

- **It is important to know "how" support is provided**

- **Support delivered in different ways may have different effects on production, trade and farm income**

- **PSE classification distinguishes different ways to deliver support**

  - **"decoupling of support" is the underlying concept**

PSE classification

|			
Output	A. Support based on commodity output	**Production required**	
Inputs	B. Payments based on input use		
Factors and income **Area (A)** **Animals (An)** **Receipts (R)** **Income (I)**	C. Payments based on A/An/R/I	Production required	Current A/An/R/I
	D. Payments based on A/An/R/I	Production required	Non-current A/An/R/I
Non-commodity criteria	E. Payments based on A/An/R/I	Production not required	Non-current A/An/R/I
	F. Payments based on non-commodity criteria	**Production not required**	
	G. Miscellaneous payments		

Output	A. Support based on commodity output	**Current parameters**	
Inputs	B. Payments based on input use		
Factors and income **Area (A)** **Animals (An)** **Receipts (R)** **Income (I)**	C. Payments based on A/An/R/I	Production required	Current A/An/R/I
	D. Payments based on A/An/R/I	Production required	Non-current A/An/R/I
	E. Payments based on A/An/R/I	Production not required	Non-current A/An/R/I
Non-commodity criteria	F. Payments based on non-commodity criteria	**Non-current parameters**	

G. Miscellaneous payments

%PSE

Support based on commodity output
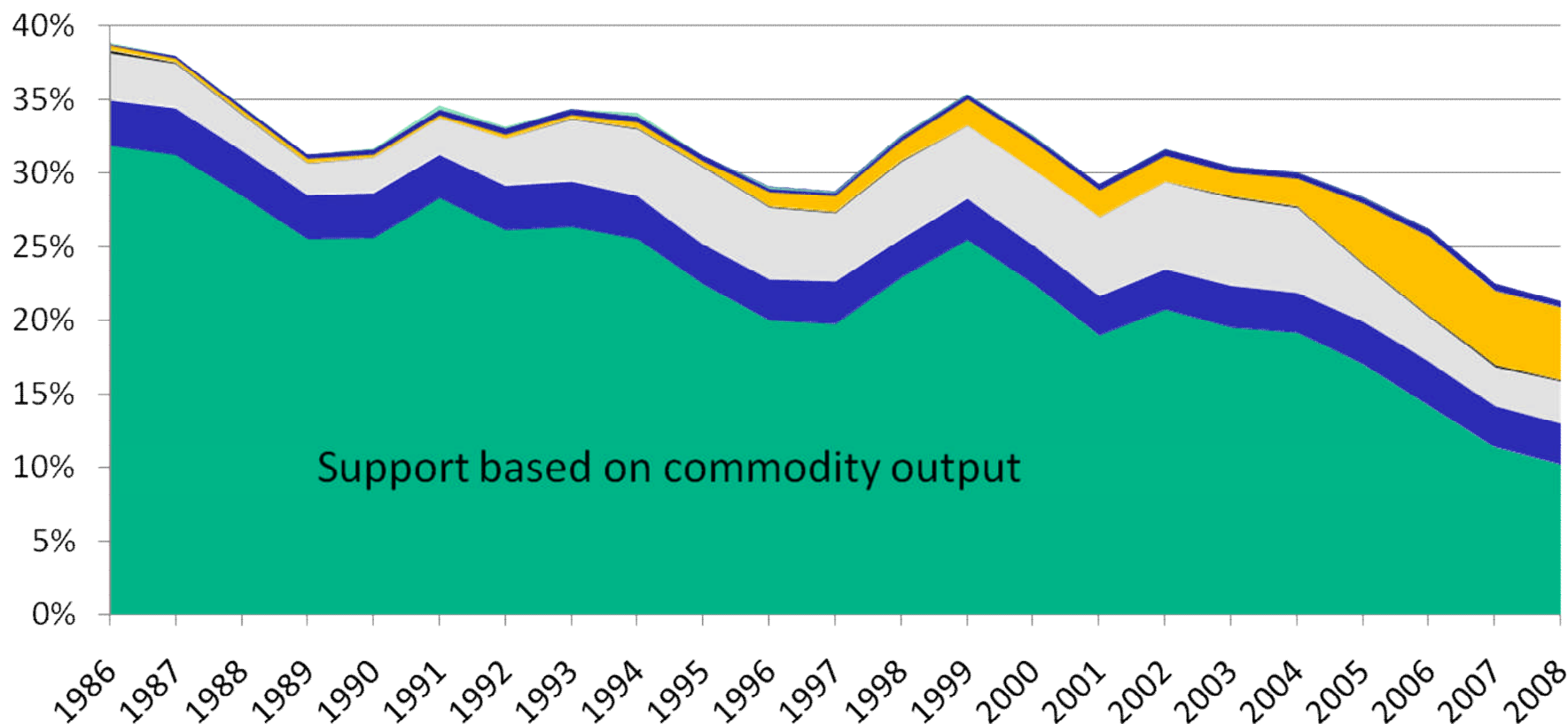
Legend:
- A. Commodity output
- B. Input use
- C. Current A/An/R/I, production required
- D. Non-current A/An/R/I, production required
- E. Non-current A/An/R/I, production not required
- F. Non-commodity criteria
- G. Misc

OECD, PSE/CSE database

PSE classification also tells whether support:

- involves limits on production/payments or not

- provided with variable/fixed payment rates

- imposes any kind of input constraints or not

- provided to a single commodity only, group of commodities, or all commodities

- etc.

Concluding remarks

- **Support indicators represent a comprehensive account of policy transfers**

- **Each indicator highlights specific dimension of support, indicators are complementary and form a system**

- **PSE/CSE database is a rich source of policy information, internationally comparable and regularly updated**

- **Indicators as such do not measure policy effects but are a key input into policy analysis**

Trade and Agriculture Directorate

Visit our website:

www.oecd.org/agriculture

Support indicators (PSE/CSE) database:

www.oecd.org/tad/support/psecse

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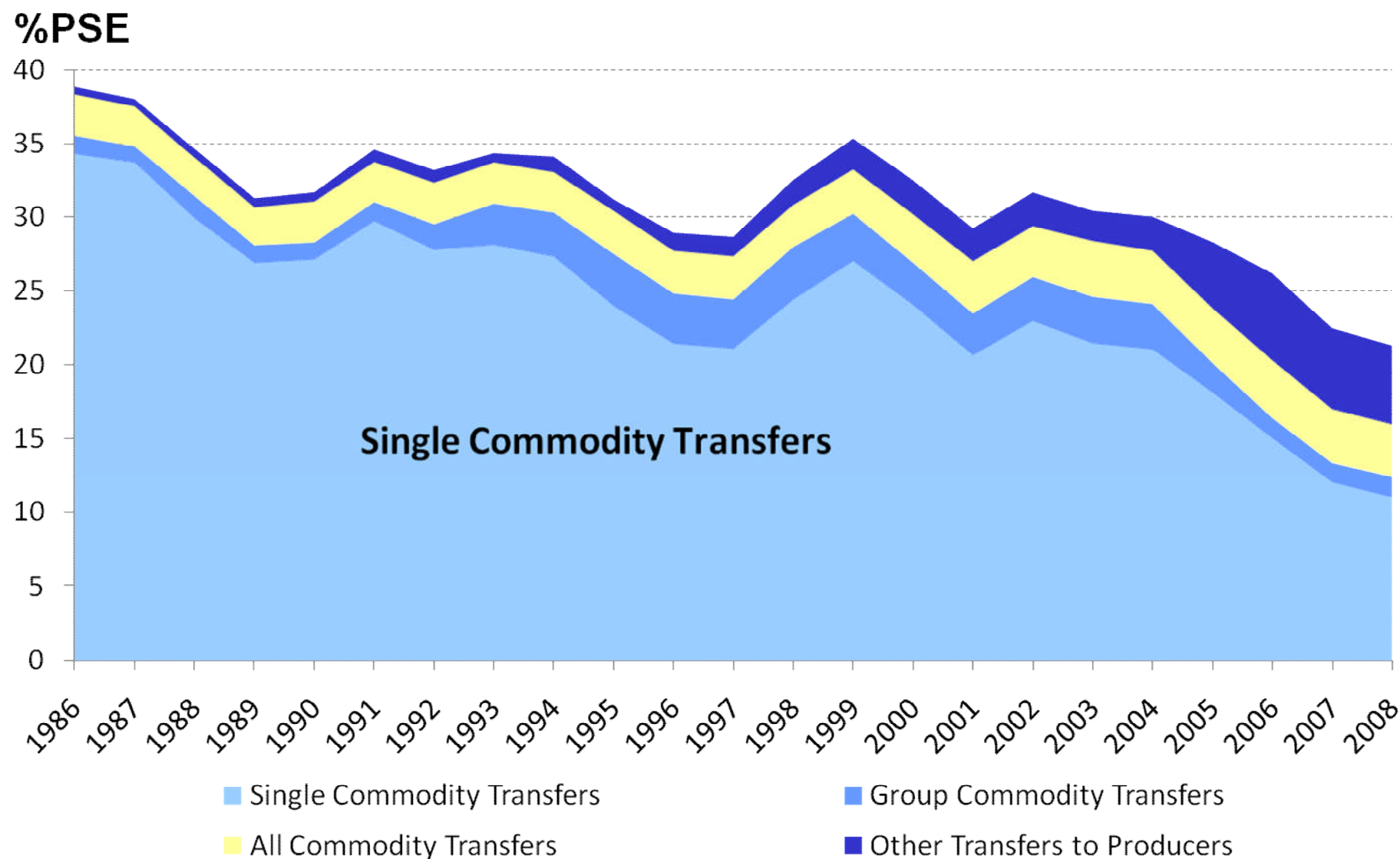
OECD, PSE/CSE database

Origin of OECD support indicators

- **Crisis in international agricultural trade in late 1970s and early 1980s…**

- **…yet no agreed way to measure, compare and evaluate the trade effects of support**

- **In 1982, ministers asked the OECD …**

"…to analyse the approaches and methods for a balanced and gradual reduction of protection for agriculture and the fuller integration of agriculture within the open multilateral trading system"